Bumper Crop

Congress' Latest Attempt to Boost Subsidies for the Largest Farms

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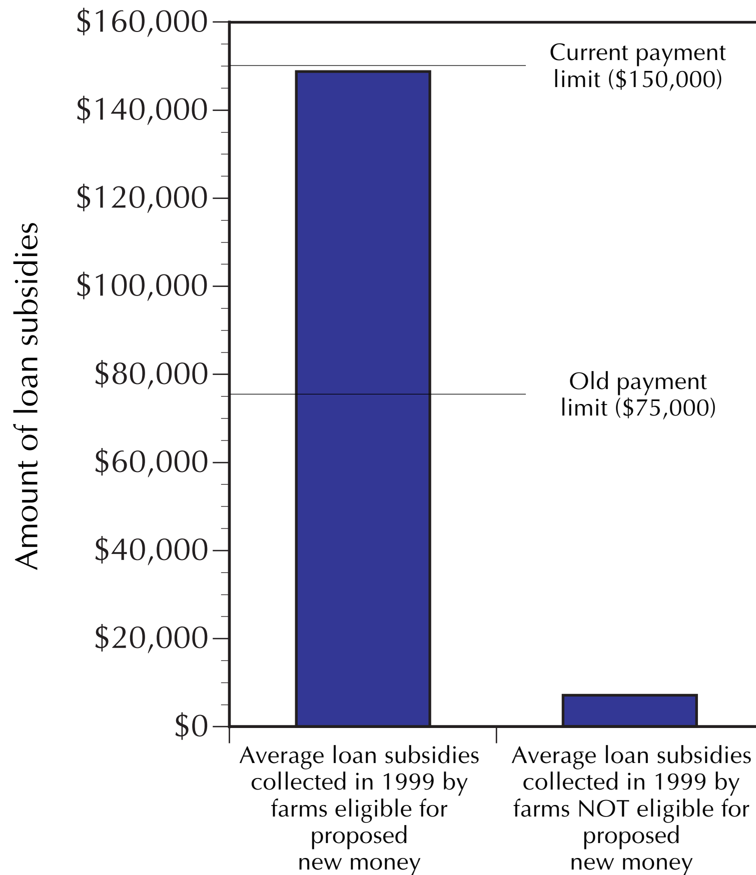
Executive Summary

• Congress is now considering giving a handful of the largest farms in the country an enormous "bumper crop" in farm subsidies right before the election. The only farms that will be eligible for the extra subsidies are a few thousand of the very largest farms and agribusinesses in the nation. Farms eligible for this proposed bonanza collected an average of $147,000 in loan subsidies in 1999, 14 times more than those NOT eligible, who received about $7,000 in loan subsidies in 1999 (Figure 1). Fully 99 percent of the nation's farmers will see no benefit whatsoever from this latest example of Congress' generosity with taxpayers' money.

• This subsidy boost will be accomplished through an arcane, eleventh-hour amendment to the agriculture spending bill now pending before a House-Senate conference committee. The amendment would double the amount of taxpayer subsidy that the largest farmers could receive under increasingly costly USDA "loan" programs.

The rich get richer and the poor get nothing.



Source: Environmental Working Group. Compiled from USDA data.

• According to an EWG analysis of a similar provision that passed in 1999, fewer than 2,500 individuals and 900 farm businesses nationwide—less than one half of one percent of all subsidized farms—benefited from the doubling of the loan subsidy limit in 1999. The top 2,500 individual recipients received an average of nearly $20,000 in extra subsidies in 1999 as a result of

Congress' generosity. The top 3,400 individuals and businesses received a combined total of more than $500 million in farm loan subsidies, on top of $400 million in Freedom to Farm and other direct subsidies.

• This subsidy boost to the largest farmers comes on top of the doubled Freedom to Farm payments already authorized by Congress for the 2000 crop year, as well as a multibillion crop insurance subsidy package authorized earlier this year.

• The farms that are benefiting most from these subsidy increases are the largest farms, some of which are now eligible to receive $500,000 or more in subsidies during a single year. These larger farms are precisely the ones that are least likely to be in need of additional taxpayer subsidies.

• Boosting federal payments to the largest farmers does nothing to alleviate the crushing burdens faced by small and medium-sized farmers resulting from weak prices for agricultural commodities. Instead, the unneeded subsidies allow the largest farmers to buy and rent more land at neighboring farmers' expense.

Introduction

As farmers head to the fields to harvest corn, soybeans and other crops that they know will bring ruinously low prices at the local grain elevator, farm-state lawmakers in Washington are quietly considering yet another infusion of farm subsidy aid, atop the billions already added this year.

But in most states, the helping hand that Congress is now considering will be extended to, at most, only a few hundred of the very largest farmers. These large farms—the biggest of the big, comprising less than one-half of one percent of all subsidized farmers—would be made eligible for twice the amount of subsidy they typically receive under several expensive but arcane government crop loan programs. This eleventh-hour subsidy boost will amount to hundreds of thousands of dollars for a handful of top recipients, according to an Environmental Working Group analysis of USDA subsidy payments.

The remaining subsidized farm operations—numbering nearly 1.4 million nationwide—will receive nothing extra at all under the proposal. For thousands of such farmers, this year's harvest will be their last.

Farm programs have always been tilted towards the biggest producers, who have perennially and successfully lobbied Congress to lift limits to their subsidies in the name of helping the beleaguered family farm. But never in the annals of federal farm policy has so much aid gone to so few as in the past two years.

In 1999 and again this year, Congress has responded to the spectacular failure of the 1996 "Freedom to Farm" program by enacting a series of multi-billion dollar emergency measures that have channeled more and more taxpayer money to the very largest farm operations in the country. "Freedom to Farm" payments that were supposed to be both fixed and declining have already been doubled in each of the past two years. For most farmers, the doubling added at most a few thousand dollars to their bank accounts.

The largest farmers, too, saw their already enormous payments doubled—but in contrast to smaller farmers, these enormous

Fewer than 2,500 individuals, and 900 farm businesses, benefitted from the expanded payment limits.

Recipient Category	Number of recipients	Total loan subsidy payments	Payments in excess of $75,000 per recipient	Avg. payment in excess of $75,000 per recipient
Individuals paid over $75,000	2,486	$ 234,721,083	$ 48,271,083	$ 19,417
Businesses paid over $150,000	876	$ 265,542,816	n/d	n/d

N/D - Because of ambiguities in USDA data, payments per recipient in excess of $75,000 could not be determined.
Source: Environmental Working Group. Compiled from USDA data.

operations received an additional $80,000 or more in taxpayer subsidies, without any demonstration of financial need. Payment limits that were designed to cap the amount of direct cash subsidies to large operations were simply waived to accommodate doubled payments to the relatively few, large farm operations that were bumping up against the subsidy ceiling.

Congress this year also passed a massive boost in crop insurance subsidies totaling $8.2 billion over the next five years, raising the cost of the program to taxpayers to more than $3 billion per year. These latter subsidies have no payment limit whatsoever.

Now the Senate is considering even more aid to the largest recipients by lifting the cap on the loan subsidy payments they can receive. A similar relaxation of the limit on loan subsidies in 1999 produced huge flow of extra payments to big farm operations, according to an Environmental Working Group analysis of more than 16 million USDA farm subsidy records for calendar year 1999. The analysis shows that a fraction of all farms that received subsidies that year, including some of the largest farms in the country, were the beneficiaries of an obscure provision passed in last year's Agriculture Appropriations bill.

This provision, which doubled the maximum payment limit for USDA commodity loan subsidies, benefited fewer than 2,500 individuals and 900 farm businesses in the entire country in 1999.

Prior to 1999, the statutory limit on direct payments under USDA loan deficiency and market gains programs ("loan subsidies") was $75,000 per individual. Farmers were also eligible to receive an additional $75,000 through corporations, partnerships, or joint ventures in which they had an ownership share, for a combined total of $150,000 per farmer. In 1999, however, Congress doubled this payment limit, so that each farmer was eligible to receive $150,000 directly, as well as an additional $150,000 through farm partnerships, corporations and

other business entities, for a combined total of $300,000 per recipient. Nearly 2,500 farmers took advantage of this provision, taking direct loan subsidies in excess of the $75,000 for which they otherwise would have been eligible.

Under the new payment limit, the top individual recipients averaged $94,417 in loan subsidies during 1999, nearly $20,000 more than they would have received under previous payment limits. These individuals received a subsidy bonus—a "bumper crop" of taxpayer largesse—that totaled nearly $50 million.

Nationwide, the top 2,500 individual recipients and top 900 business recipients were paid a total of $500 million in loan subsidies in 1999. These loan subsidies were on top of nearly $400 million in Freedom to Farm payments and other USDA subsidies paid to those same recipients during 1999 alone.

For the vast majority of subsidy recipients, the doubling of the payment limit had absolutely no effect on their federal subsidy levels. Most farms are simply too small to come anywhere near the $75,000 subsidy payment limit that was in effect prior to 1999. Only the largest farmers—the ones who were close to exceeding their subsidy limits in the first place—received any benefit at all from the 1999 "bumper crop" of loan subsidies made possible by the expanded payment limit.

USDA Commodity Loan Programs

For the past several years, world market prices for the major U.S. commodity crops—corn, wheat, cotton, rice, and soybeans—have been exceptionally low. Favorable weather conditions in virtually all major commodity producing countries, combined with weak international demand for commodities, have led to global oversupplies and weak prices for U.S. farmers. Commodity oversupply problems have been exacerbated by policies enacted under the 1996 "Freedom to Farm" law, which ended supply control mechanisms and encouraged crop production regardless of how low market prices drop.

Congress has responded to the potential loss in U.S. farm income by authorizing enormous additional subsidies for farmers since 1998. In particular, the Market Loss Assistance program provided American farmers with $2.8 billion in additional subsidies in calendar year 1998, on top of the roughly $6 billion that farmers were paid in 1998 under the Freedom to Farm law enacted in 1996. Market Loss Assistance payments surged to nearly $5.5 billion in the 1999 and 2000 calendar years, effectively doubling the payments that farmers were slated to receive under Freedom to Farm.

Freedom to Farm contracts and Market Loss Assistance payments are by no means the only

methods by which taxpayers provide financial assistance to American farmers. Over the past three years, USDA's commodity loan programs, which set a floor under the prices that U.S. farmers receive for their commodities, have become an increasingly significant source of revenue and income for U.S. farmers. The significance of loan programs in supporting farmer income has grown as world market prices for agricultural commodities have weakened.

According to USDA payment records for calendar year 1999, farmer subsidies under USDA's loan deficiency and marketing loan programs reached a combined total of $6.78 billion, more than double the loan subsidy payments in calendar year 1998, and far more than the minimal payments recorded in 1996 and 1997. In comparison, farmers received $5.05 billion in Freedom to Farm contract subsidies in calendar year 1999, and $5.46 billion in Market Loss Assistance payments.

The commodity loan programs are often overlooked as a source of taxpayer subsidies for U.S. agriculture. When farm prices are high, as they were from 1995 through 1997, USDA loans are precisely what their name would suggest—loans. Using their harvested crops as collateral, farmers secure these loans at harvest time, when prices frequently are at their lowest. As prices rise, farmers can sell their crops and repay their loans, plus interest. The loans give farmers up-front capital to pay for their debts for seed, crop inputs, land rental, and equipment. Since USDA allows some flexibility in when the loans are repaid, farmers can wait for high market prices to sell their crops, thereby maximizing their profits while still repaying their loan obligations to USDA.

At times of low market prices, the USDA loan programs become a significant source of direct taxpayer subsidies for U.S. farmers. Under the USDA loan program, when the market price falls below the USDA loan rate, farmers can simply forfeit their crops to the USDA. Farmers retain the full value of the loan, while taxpayers are left with stocks of commodities that are worth significantly less than the amount that was originally loaned to farmers.

In lieu of forfeiting low-priced commodities to USDA, the commodity loan program also allows farmers to repay their commodity loans at prevailing market levels. This means that, when market prices fall below loan rates, farmers can repay their loans for less than they received in loan payments. The difference between the loan rate and the repayment rate is known as a "marketing loan gain", and amounts to a direct subsidy payment from taxpayers to farmers.

Farmers may also choose to bypass the loan system entirely, and simply receive a payment

for the difference between the market price and the loan rate. These direct payments are known as "loan deficiency payments" and represent the largest share of total subsidies under the USDA loan program.

There is a limit to the amount of subsidy any individual recipient can be paid under USDA loan programs. Before 1999, farmers could receive a maximum of $75,000 in loan payments as direct subsidies from USDA. In addition, USDA rules allow farmers to organize their operations into one or more "paper farms"—partnerships, corporations, or joint ventures—and to receive an additional $75,000 through any farm business partnerships in which they are involved. The "paper farm" rule allowed the largest farmers to double their subsidy payments, receiving up to $150,000 each year in loan subsidies.

In 1999, Congress doubled the payment limit for both individuals and farm businesses. As a result, each farmer was eligible to receive $150,000 directly from USDA, and $150,000 through farm partnerships, corporations, or joint ventures, for a total of up to $300,000 in farm loan subsidies. This amount is in addition to any subsidy payments that farmers receive through other USDA farm, conservation, disaster, and crop insurance programs.

Beneficiaries of the Doubled Payment Limit

Supporters of the doubled loan subsidy payment limit argued that, without the higher limits, many farmers would be unfairly denied of USDA subsidy benefits. What these supporters have failed to point out is that only a small handful of the nation's largest farmers would benefit from the doubled subsidy limits. Typically, these farmers are the ones in the best financial shape, with access to capital, loans, and efficiencies of scale—such as volume-based purchasing discounts and marketing contract bonuses—that are far beyond the reach of the typical American farmer.

To benefit from the doubled loan subsidy payment authorized by Congress, a recipient must already be at the upper reaches of the subsidy payment scale. For an individual recipient (rather than a farm business such as a partnership or joint venture) this means that the farmer must be eligible for at least $75,000 in direct loan subsidies in order to receive any benefit from the increased payment limit. For a farm partnership (which, by definition, is comprised of 2 or more individuals) the business as a whole must be eligible for more than $150,000 for the operation to benefit from the doubled limit.

According to USDA payment data for calendar year 1999, there were 1,373,515 farmers and farm businesses that received subsidies

under USDA farm programs, including Freedom to Farm, Market Loss Assistance, and loan subsidy programs. Of these recipients, 883,183 received at least some loan subsidy payments during the year, including 770,039 individuals and 113,144 farm businesses. These loan subsidy recipients received an average payment of $7,677 each, or about one twentieth of the payment limit in effect in 1999.

Of the 770,039 individual recipients of loan subsidies, only 2,486 were paid more than $75,000 in loan subsidies during that year. These top farmers—just 0.18 percent of all farm subsidy recipients 1999—collected a total of nearly $235 million in loan subsidies, or an average of $94,417 each, during the year. These same individuals also collected $180 million in other farm subsidy programs administered by USDA.

In the same year, only 876 farm businesses received more than $150,000 in farm loan subsidies. These farm businesses—just .06 percent of all farm subsidy recipients in the country—received a total of $265 million in loan subsidies during the year, on top of $215 million in other USDA farm subsidies.

It is impossible at this time to determine precisely how many business owners profited from farm subsidies to these top farm businesses. However, the data indicate that the doubled loan subsidy limit benefited at most 3,500 business owners in 1999. Since some of the top business recipients were farming cooperatives comprising medium-scale farmers, it is likely that considerably fewer than 3,500 business owners saw any financial benefit from the doubled subsidy limit. Furthermore, many of these farm business owners were likely some of the *same* individuals who received more than $75,000 directly during 1999—further limiting the number of farmers benefiting from Congress' generosity with taxpayers' money.

Concentration of Commodity Loan Subsidies

In virtually all USDA subsidy programs, the majority of subsidy payments flow to a comparatively small percentage of all recipients—generally, the owners of the largest farms. Farm loan subsidies are no exception to this trend. The top 10 percent of recipients were paid 56 percent of all loan subsidies in 1999. These top 88,319 recipients—representing less than five percent of the subsdized farmers in the country—received a total of $3.77 billion in loan subsidies in 1999, or an average of $42,643 each. This was on top of enormous subsidies that these farmers received under other USDA programs that year, such as Freedom to Farm and Market Loss Assistance payments.

The typical recipient of loan subsidies fared far worse than the top recipients in 1999. The median subsidy recipient—the one in the middle of the pack—received just $2,241 in 1999. This figure represents just over 5 percent of the average among the top 10 percent of recipients, and only about 1.5 percent of the loan subsidy payment limit for individuals during the year. Individuals who received more than $75,000 in loan subsidies were paid, on average, more than 42 times as much as the median recipient.

Typically, the amount of loan subsidy a farmer receives depends on both the type of crops that farmer grows, and, perhaps most importantly, on amount of crops grown. In general, the larger the farm, the bigger the crop, and the more loan subsidy the farmer can receive. This means that the top loan subsidy recipients were generally the largest farms in terms of gross commodity sales. According to data from USDA's Economic Research Service, these same farms are also the ones that are most profitable, and for whom total household income is the highest. In short, these are the farmers who are least in need of additional handouts from federal taxpayers.

Congress also directed massive subsidy payments to large farms through other programs in 1999. In addition to doubling the loan subsidy limits, Congress also doubled subsidy payments under the Freedom to Farm program established in 1996. Prior to 1999, the payment limit under Freedom to Farm was $40,000 per recipient directly, plus $40,000 indirectly

through farm partnerships or other "paper farms", for a combined total of $80,000 per recipient. By doubling Freedom to Farm payments as well as the loan subsidy limits in 1999, Congress made the top farmers in the country eligible to receive a staggering $460,000—$300,000 through direct and indirect loan subsidies, and $160,000 through direct and indirect Freedom to Farm subsidies. Considering that family members and employees of a principal owner may be eligible to receive these subsidies—and that there are other mechanisms, all perfectly legal, for evading payment limits—there may be enormous farms that received more than a million dollars in taxpayer subsidies in 1999 alone. By doubling the payment limits, Congress essentially rendered as irrelevant the entire concept of a payment "limit".

To our knowledge, neither USDA nor Congress has undertaken to determine precisely which farmers benefited from the increased subsidy limit in 1999, and whether these recipients even needed the extra subsidies to maintain financial solvency. However, it is doubtful that these large farms needed taxpayer subsidies to keep their families out of poverty, or to hold on to a family farm homestead that had been passed from generation to generation.

More likely, the additional subsidy boost allowed these top farmers to buy or rent more land—in effect, giving the biggest farmers a down payment to buy their neighbors' farms. The extra cash for land purchase and rental may have had other damaging effects the remainder of America's farmers. It may have bid up land values and farmland rents, adding to the cost of farming for the average farmer. It may also have encouraged marginal farmland to be brought into production, thereby creating environmental costs in soil erosion and water pollution that are borne by taxpayers and the general public. Bringing more land into crop production also has the paradoxical effect of adding to the taxpayer cost of the loan subsidy programs by increasing commodity supplies and further depressing market prices.

Loan Subsidy Payments by Crop

The amount of loan subsidy paid in 1999 varied considerably by crop. Of the $6.8 billion in loan subsidies paid in calendar year 1999, more than $4.8 billion—71 percent of total loan subsidies—were paid for corn and soybeans. This predominance of corn and soybeans among loan payments stemmed from low market prices for corn and soybeans in 1999, combined with the fact that so much corn and soybeans are grown in the U.S. The average recipient of soybean loan subsidies was paid $4,541 in 1999, while the average soybean loan subsidy recipient was paid $4,656.

Despite the fact that total payments to cotton and rice farmers were lower than payments for

Cotton and Rice growers are the biggest winners when payment limits are relaxed.

Crop	1999 Loan Subsidy Payments	1999 Loan Subsidy Recipients	Payment per recipient
Soybeans	$ 2,493,780,926	549,139	$ 4,541
Corn	$ 2,348,452,779	504,423	$ 4,656
Wheat	$ 929,729,245	322,666	$ 2,881
Upland cotton	$ 480,559,747	36,566	$ 13,142
Rice	$ 155,636,607	14,835	$ 10,491
Sorghum	$ 148,098,025	87,958	$ 1,684
Sunflower	$ 106,296,154	18,850	$ 5,639
Barley	$ 41,951,212	34,299	$ 1,223
Canola	$ 34,059,348	7,461	$ 4,565
Oats	$ 29,835,245	53,349	$ 559
Others	$ 9,104,848	N/A	N/A
Total	**$ 6,777,504,136**	**883,183**	**$ 7,674**

Note: Many subsidy recipients were paid for more than one crop.
Source: Environmental Working Group. Compiled from USDA Data.

corn and soybeans, the average payment *per recipient* was considerably higher for rice and cotton than for corn and soybeans. The average cotton subsidy recipient was paid $13,142 in 1999, while the average rice subsidy recipient was paid $10,491. This disparity is a partial reflection of the fact that, on average, rice and cotton farms are considerably larger than corn and soybean farms in terms of economic output and value of commodities produced.

It should be noted that many loan subsidy recipients were paid for more than one commodity. In particular, many farmers received both corn and soybean loan subsidies.

Loan Subsidy Payments by State

Just as loan subsidy payments vary by crop, they also vary by state. As might be expected, the corn belt states, where production of corn and soybeans are concentrated most heavily, got the largest amounts of loan subsidies in 1999. The top five states for loan subsidy payments were Iowa ($837 million), Illinois ($804 million), Minnesota ($641 million), Nebraska ($558 million), and Kansas ($501 million).

The states that produce the most rice and cotton generally have the highest payments per recipient for loan subsidies. The top five states, ranked by loan subsidy payment per recipient,

Loan subsidy payments by state 1999.

State	Recipients	Payments	Payments per recipient
Alabama	4,133	$29,996,933	$7,258
Arizona	520	$19,678,095	$37,842
Arkansas	17,596	$221,783,205	$12,604
California	4,898	$84,326,286	$17,216
Colorado	12,497	$105,819,378	$8,468
Connecticut	208	$1,047,410	$5,036
Delaware	952	$8,894,589	$9,343
Florida	611	$5,322,464	$8,711
Georgia	5,945	$85,358,330	$14,358
Idaho	7,921	$35,735,554	$4,511
Illinois	112,785	$804,782,909	$7,136
Indiana	51,393	$349,680,573	$6,804
Iowa	91,678	$837,369,369	$9,134
Kansas	84,625	$501,453,376	$5,926
Kentucky	16,975	$65,653,938	$3,868
Louisiana	13,982	$76,295,627	$5,457
Maine	471	$2,376,296	$5,045
Maryland	3,055	$27,051,881	$8,855
Massachusetts	233	$773,697	$3,321
Michigan	19,751	$144,254,391	$7,304
Minnesota	48,518	$641,176,213	$13,215
Mississippi	6,964	$103,409,747	$14,849
Missouri	44,074	$236,649,995	$5,369
Montana	13,152	$78,389,265	$5,960
Nebraska	62,997	$558,831,102	$8,871
Nevada	55	$108,106	$1,966
New Hampshire	140	$684,799	$4,891
New Jersey	452	$2,751,527	$6,087
New Mexico	1,496	$16,139,001	$10,788
New York	4,985	$24,615,064	$4,938
North Carolina	10,983	$79,345,527	$7,224
North Dakota	29,292	$260,844,942	$8,905
Ohio	43,955	$297,197,319	$6,761
Oklahoma	24,374	$90,617,003	$3,718
Oregon	2,867	$7,242,153	$2,526
Pennsylvania	5,937	$18,501,605	$3,116
Rhode Island	18	$20,788	$1,155
South Carolina	2,625	$25,186,973	$9,595
South Dakota	31,777	$321,106,020	$10,105
Tennessee	14,803	$71,708,065	$4,844
Texas	45,153	$305,351,153	$6,763
Utah	1,332	$4,321,092	$3,244
Vermont	734	$2,452,118	$3,341
Virginia	4,136	$25,325,407	$6,123
Washington	8,704	$24,932,633	$2,865
West Virginia	527	$1,252,058	$2,376
Wisconsin	28,440	$164,981,657	$5,801
Wyoming	2,006	$6,708,505	$3,344
Total	**883,183**	**$6,777,504,136**	**$7,674**

Source: Environmental Working Group. Compiled from USDA Data.

are Arizona ($37,842), California ($17,216), Mississippi ($14,849), Georgia ($14,358), and Minnesota ($13,215).

The top individual recipients of loan subsidies were distributed among 36 different states. However, 5 states accounted for nearly half of all recipients who got more than $75,000 from a single state: Minnesota (325 recipients), Illinois (262), Texas (202), South Dakota (192) and Iowa (173).

There were 37 states that contained farm businesses that received $150,000 or more from a single state. Seven states accounted for just over half of these farm businesses: Mississippi (114 businesses), Arkansas (88), Texas (81), Kansas (48), California (46), Minnesota (41) and Illinois (41).

There were 325 farmers in Minnesota who received more than $75,000 in loan subsidies in 1999

State	Individuals receiving more than $75,000	Payments to top individuals	Businesses receiving more than $150,000	Payments to top businesses
Alabama	27	$ 2,385,110	9	$ 2,266,390
Arizona	9	$ 973,751	32	$ 7,327,521
Arkansas	61	$ 6,032,141	88	$ 63,330,111
California	20	$ 2,110,086	46	$ 19,005,392
Colorado	45	$ 4,456,812	18	$ 3,687,916
Delaware	-	-	1	$ 161,755
Florida	6	$ 550,420	1	$ 159,773
Georgia	109	$ 11,531,893	29	$ 6,763,665
Idaho	2	$ 161,983	-	-
Illinois	262	$ 24,065,553	41	$ 8,481,053
Indiana	85	$ 7,715,344	14	$ 3,141,598
Iowa	173	$ 15,589,983	16	$ 2,791,834
Kansas	161	$ 14,359,827	48	$ 11,366,172
Kentucky	28	$ 2,554,644	13	$ 2,675,287
Louisiana	19	$ 1,777,007	30	$ 7,462,034
Maryland	21	$ 1,997,165	4	$ 664,399
Michigan	50	$ 4,541,817	17	$ 3,382,954
Minnesota	325	$ 29,696,872	41	$ 20,066,014
Mississippi	30	$ 3,216,343	114	$ 32,452,820
Missouri	81	$ 7,623,435	32	$ 6,750,665
Montana	2	$ 247,655	4	$ 976,452
Nebraska	167	$ 15,340,422	39	$ 7,867,842
New Mexico	4	$ 423,996	3	$ 1,459,185
New York	1	$ 79,740	4	$ 664,982
North Carolina	41	$ 3,982,584	13	$ 2,729,003
North Dakota	115	$ 10,857,301	9	$ 1,717,774
Ohio	80	$ 7,456,717	15	$ 3,618,506
Oklahoma	19	$ 1,940,352	1	$ 214,478
Oregon	-	-	1	$ 152,804
Pennsylvania	2	$ 215,738	-	-
South Carolina	15	$ 1,625,505	6	$ 1,193,183
South Dakota	192	$ 18,484,953	39	$ 8,602,450
Tennessee	41	$ 3,897,697	19	$ 4,246,598
Texas	202	$ 20,123,863	81	$ 21,489,977
Virginia	5	$ 510,074	2	$ 333,206
Washington	1	$ 78,404	1	$ 208,228
West Virginia	1	$ 92,865	-	-
Wyoming	34	$ 3,056,335	14	$ 2,973,892
Total	**2,486**	**$ 234,721,083**	**876**	**$ 265,542,816**

Source: Environmental Working Group. Compiled from USDA Data.

How USDA Commodity Loan Programs Work

Commodity loans are available for the majority of field crops, including corn, wheat, soybeans, cotton, rice, sorghum, oats, barley, and oilseeds. Each year, USDA establishes a loan rate for each commodity covered by the loans program. Loan rates are expressed as a fixed amount of money per unit of commodity placed under loan; in 2000, for example, the national average loan rate was $1.89 per bushel for corn, and $5.26 per bushel for soybeans.

For most crops, loan rates are adjusted to the local level to reflect spatial distances, transportation costs, and other factors that affect the local price of a crop. The loan rate for cotton in the 2000 crop year, for example, varied between $50.45 per hundredweight in California and Arizona to $53.90 per hundredweight in parts of North and South Carolina.

Farmers generally take out USDA commodity loans at harvest time. To qualify for a loan, farmers must meet a variety of eligibility criteria, and must pledge their harvested crops as collateral. Commodity loans provide farmers with money to pay their debts for the preceding crop year, and to prepare for planting in the subsequent planting season. Commodity loans give farmers the flexibility to wait for periods of high market prices to sell their crops, rather than sell immediately after harvest when prices are lowest.

Farmers have several options for repaying their USDA loans. If market prices are higher than the loan rates for their crop, farmers generally repay the USDA loans, plus interest, after selling their crop. However, when market prices fall below commodity loan rates, farmers can simply forfeit their crops to the USDA in lieu of repaying the loan. The loan rate thereby serves as a guaranteed minimum price for crops placed under loan: the farmer is guaranteed of getting at least the loan rate for the commodities they produce, regardless of the price offered by the market.

In recent years, USDA has increasingly given farmers greater flexibility in how they repay their commodity loans. Marketing assistance loans allow farmers, under certain circumstances, to repay their USDA loans at the prevailing market price at the time the crop is sold. Even if the mar-

ket price is below the loan rate, farmers can repay their loans at the market price; USDA waives the remainder of the principal and interest. The difference between the market price and the loan rate is recorded as “marketing loan gain”, and amounts to a direct payment from taxpayers to farmers.

Under a separate provision, farmers can elect to receive a direct payment from USDA instead of securing a commodity loan. When the market price for a commodity is below the loan rate, the farmer can choose to receive a payment for the difference between the market price and the loan rate, without securing a commodity loan. The payment to the farmer is called a “loan deficiency payment”, or LDP. Like marketing loan gains, LDPs amount to a direct payment to a farmer for the difference between the loan rate and the market price for a commodity.

Sources of Uncertainty

The data in this report are tabulated by calendar year. However, payment levels for purposes of individual payment limitations are tabulated by USDA crop year. Similarly, total loan program spending estimates prepared by the U.S. government for budget purposes generally are tabulated either by U.S. fiscal year or by USDA crop year, rather than calendar year.

USDA commodity loans and loan deficiency payments can be secured as late as May 31 in the year *after* that in which the crop is harvested. Similarly, marketing loans can be repaid up to nine months after the loan is made. As a result, loan subsidies attributable to the 1999 crop year may actually be paid in calendar year 2000, or even in calendar year 2001. Similarly, totals for the 1999 calendar year may include some loan payments for the 1998 crop year. These discrepancies between crop year and calendar year payments serve as a source of uncertainty in loan subsidy payment estimates tabulated in this analysis.

USDA's "3 entity rule"—the "paper farm" rule that allows farmers to receive payments both directly, and indirectly through up to 2 farm partnerships, joint ventures and corporations—is an additional source of uncertainty in the data. At this time it is impossible to determine which individuals will ultimately benefit from a commodity loan payment to a corporation or farm partnership. A number of individual recipients may have benefited from complex business setups, in which payments are funneled through several "paper farms" but ultimately flow to a single individual or family.

For example, a single individual may be a half-owner of two farm partnerships that each received $100,000 in loan subsidies in 1999. That individual would have gotten $100,000 in USDA loan subsidies from his ownership shares, exceeding the statutory payment limit that was in effect prior to 1999. However, the analysis in this report would not be able to detect this individual as a potential beneficiary of the expanded payment limit.

By the same token, many of the top direct loan subsidy recipients—those with direct loan subsidies in excess of $75,000—may

also have benefited indirectly from farm subsidies paid to corporations, partnerships and other farm businesses. Thus, the same individual who received $150,000 directly may also have received $150,000 indirectly, through businesses in which they are involved.

The three-entity rule makes it inherently difficult to track payments to particular individuals. It is possible that far more than 2,500 individuals in the country benefited from Congress' doubling of subsidy payments; it is also possible, however, that the only individuals who benefited indirectly from the doubled payment limits were the same ones who benefited directly.

The uncertainty in the data outlines a surprising fact. Nobody, neither the members of Congress who authorized the doubled spending limit, nor the USDA officials who administer it, has any idea who the real beneficiaries of this policy are, their economic size, the total subsidies that they receive, and most importantly, their financial condition.

About the Data

The data upon which this report is based were derived from computerized records of more than 16 million farm program checks written by the U.S. Department of Agriculture. These records were obtained by Environmental Working Group through a Freedom of Information Act request to USDA's Kansas City Computer Center. These records represent each payment made, from each county USDA office, to each recipient, from calendar years 1996, 1997 and 1998, for subsidy programs administered by the USDA's Farm Service Agency.

The 16 million check records were compiled to obtain the total subsidy received by each recipient, in each payment category. A recipient may be an individual, a corporation, or a general partnership, joint venture, or some other legal entity. Payment data presented here were net of refunds paid to the government, which were subtracted for each recipient and subsidy category as payments were tabulated.

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